

Update statement following 20 per cent or more votes having been cast against the 2020 AGM resolution to approve the Directors' Remuneration Report

2 February 2021

At the 2020 Annual General Meeting ("AGM"), resolution 2 to approve the Directors' Remuneration Report for the year ended 31 May 2020 received votes against from 48.47% of the votes cast.

As a result the Company sought to engage with all major shareholders who voted against the resolution to better understand their reasons for doing so. Amongst the shareholders who engaged with us there were two main reasons which explained their vote. Firstly, some did not support the increased weighting on non-financial measures in the annual bonus from 25% to 40% for 2020/21. Secondly, others did not feel that the application of discretion during the year to amend the annual bonus profit underpin for 2019/20 was appropriate.

The Remuneration Committee acknowledges these views and whilst it still considers its decisions were appropriate in the exceptional circumstances relating to the 2019/20 financial year, the Committee has already taken action to address these two issues. Firstly, the weighting on non-financial measures in the annual bonus will revert to 25% of the total in 2021/22. Secondly, the profit underpin will be applied in future, though may be less formulaic in nature and based on the Committee's assessment of underlying performance using a broader range of criteria.

In our discussions, two major shareholders informed us that they had issued instructions to vote in favour of the resolution but that these had not been correctly carried through to the final vote. As a result, we believe that the final AGM result for this resolution did not accurately reflect the level of support amongst our shareholders. Voting results which accurately reflect shareholders' opinions are an important part of the constructive engagement we actively seek with our shareholders and are of importance to all stakeholders in NCC. Therefore, whilst we do acknowledge that a significant minority of shareholders did have concerns which we have sought to address, we also intend to take up the voting issue with the FRC.

The Remuneration Committee is currently reviewing the Directors' Remuneration Policy. Shareholders' views will be taken into account once more during a consultation on the policy which is currently planned to commence before the end of the 2020/21 financial year.